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FINANCIAL IDEAS FOR TODAY AND TOMORROW

Footnotes

Exciting Changes and Growth

We have been busy since our last newsletter! In July, the staff from Williams & Associates in Mason City joined Hogan - Hansen. We are happy to welcome **Bob Williams, Lori Jorgensen, Mike Baker, Noele Beaver, Sarah McChesney, Angie Nepple, Margaret Pfannes, Deb Snook** and their 1,500 clients to our firm. The Williams' staff moved into our newly remodeled Mason City office on July 1. While the dust was still settling in Mason City, the staff of Tweeten & Young in Forest City joined our firm. **Carol Tweeten, Marlene Young, Linsey Current, Marcia Quisling** and their 1,200 clients joined Hogan - Hansen September 1.

We had a great open house at the Forest City office to welcome their clients to our firm. The dust continued to swirl in Algona where we purchased a new building on East State Street and have been busy remodeling the interior. The Algona staff is planning on loading up the moving truck and heading to the new, larger offices in October.

As we continue to grow, we remain focused on the goal of serving our clients and being a valuable partner in their businesses. With these new acquisitions, we have added CPA's with nearly 200 years of public accounting experience and we believe they will be valuable assets in serving our clients.



Steve Duggan, CPA, is the firm's managing partner and is in our Waterloo office.

FROM THE PEN OF A PARTNER

A quick update on the 2015 tax bill - there isn't one! Unfortunately Congress looks like they will wait until the last minute to pass a tax extender bill again this year. We will continue to monitor the activity in Washington, but in the meantime if you have specific questions leading up to year end, please contact us.

IRS Releases HSA Limits

The IRS has announced the 2016 inflation-adjusted contribution limits for health savings accounts (HSAs). HSAs allow taxpayers with high-deductible health insurance plans to set aside pretax dollars that can be withdrawn tax-free to pay medical expenses. The 2016 contribution limit for individuals is \$3,350; the limit for family coverage is \$6,750. Individuals who are 55 or older may contribute an additional \$1,000.

IRS Changes Filing Deadline

Next year, taxpayers will get a few extra days to file their 2015 income tax returns. The District of Columbia will be observing Emancipation Day on April 15, 2016, the usual filing deadline. Because April 16 and 17 fall on a weekend, the 2016 filing deadline is moved to the next business day which is April 18.

Fourth Quarter Tax Planning – It's How You Finish That Counts

The fourth quarter is often make-or-break time in sports. Likewise, tax-cutting steps you take in the last three months of the year can transform a financial plan into a bona fide winner.

Late-year tax planning is often a matter of reviewing your inflows and outflows. For instance, income from capital gains can be subject to both capital gains tax and the 3.8% Medicare surtax. To offset capital gains, you might sell investments that have lost value since you purchased them. Net capital losses can be used to reduce ordinary income by up to \$3,000. A tax-saving examination of your portfolio is a good time to rebalance your holdings between asset classes.

Interest and dividend income can be subject to the 3.8% Medicare surtax too. Plan for this by considering investments in municipal bonds that pay tax-free

Look for opportunities to maximize deductions. Accelerate your charitable donations and consider donating appreciated securities you have owned for more than one year.

interest. If you are contemplating a mutual fund investment between now and the end of the year, check the fund's expected dividend date. Purchasing a mutual fund now could bring an unwanted taxable dividend before December 31.

On the outflow side, look for opportunities to maximize deductions. Accelerate your charitable donations and consider donating appreciated securities you have owned for more than one year. This strategy can offer double value – you get the benefit of a deduction and you don't have to pay tax on the gain.

Take advantage of increased retirement plan contribution limits for 2015. This year you can contribute as much as \$5,500 to a Roth or tradi-

tional IRA (\$6,500 if you're age 50 or over). The limit for 401(k) plans is \$18,000, plus an additional \$6,000 if you're 50 or older. While checking on the status of your retirement plan contributions, review your list of beneficiaries too.

Another important fourth quarter exercise is an analysis of your federal and state income tax withholdings and estimated payments. These can be affected by personal events such as a change in marital status, the sale of your home or a new job.

Effective tax planning is a matter of finishing well.

Contact our office to discuss steps to make the fourth quarter a strong one for you.





Going Back to School? Your Costs May Be Deductible.

Are you going to school this fall to earn an advanced degree or to brush up on your work skills? If so, you might be able to deduct what you pay for tuition, books and other supplies.

In general, when you're self-employed or working for someone else, you can claim a deduction for out-of-

pocket educational costs if the training is necessary to maintain your skills or is required by your employer.

A caution: Even when the education meets those two tests, if you're qualified to work in a new trade or business when you've completed the course, your expenses are personal and non-deductible. That's true even if

you do not get a job in the new trade or business.

Because it's often difficult to determine whether some degrees, such as an MBA, qualify you for a new trade or business, you'll need to look at your specific situation to decide if you can claim a deduction. One useful test is to compare the work you were able to perform before the education to what you

are qualified to perform afterward.

Work-related education expenses are an itemized deduction when you're an employee and a business expense when you're self-employed. You may also be eligible for other tax benefits, such as the lifetime learning credit.

For more information, please call our office.

Talk Finances With Your Parents

According to a generational finance study, you're probably about as eager as your parents to discuss finances – which is to say, not very eager at all. But addressing the topic can benefit your entire family by clarifying your parents' wishes and enabling you to help establish a joint plan for carrying those wishes to fruition. And the sooner the better – communicating and planning now can alleviate the problems and confusion that arise if you wait until your parents are incapacitated, suffer diminished mental faculties or pass away.

Before initiating the conversation, plan your approach to enhance mutual trust and understanding. Tailor the discussion to your parents' personalities and viewpoints. Position yourself as helper rather than custodian, and ensure that your parents maintain a sense of control. Emphasize that you want to fulfill your par-

ents' wishes to their satisfaction and help them maintain independence as long as possible.

Involving other supportive family members may also help ease the stress. If your parents have a trusted advisor, such as a family attorney, consider including that person as part of the process. Notify anyone who will be part of the conversation in advance.

The scope of your discussion will depend on your existing knowledge and your family dynamics. If the issues are complex or weighty, consider splitting your talk into multiple sessions.

Here's a framework for starting the dialogue:

LEGAL - Do your parents have a will and an estate plan? Have they executed a trust, a durable power of attorney for finances or an advance healthcare directive? Will they allow you to review the documents and/or

speaking with their attorney?

MEDICAL - What medical insurance policies are in place? Do your parents have long-term care insurance? Who is their personal physician and what significant medical issues exist?

INCOME, EXPENSES AND DEBT -

What are the sources and amounts of your parents' income and expenses? To whom do your parents owe money, and how much do they owe?

RECORDS - Where do your parents keep tax returns, bank and brokerage statements and similar records? Who are their tax preparers, financial advisors and/or stockbrokers? Will your parents allow you current access to those records and advisors?

Discussing finances with your parents can be a daunting prospect. Give us a call if you'd like us to be part of the conversation. We're here to help.

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Don't judge each day by the
harvest you reap but by the
seeds that you plant.

- ROBERT LOUIS STEVENSON

NOTABLE QUOTES

Shoot for the moon.
Even if you miss,
you'll land among
the stars.

- NORMAN VINCENT PEALE

Be thankful for what
you have. Your life, no
matter how bad you
think it is, is someone
else's fairy tale.

- WALE AYENI

Remember, if
Christmas isn't
found in your
heart, you
won't find it
under a tree.

- CHERISHYOURDAY.COM

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